

Message Text

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PAGE 01 STATE 061435
ORIGIN TRSE-00

INFO OCT-01 ARA-14 NEA-10 ISO-00 SIG-03 SSO-00 NSCE-00
INRE-00 USIE-00 SP-02 AID-05 EB-08 SS-15 STR-07
OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-10
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02
PA-02 /100 R

FSE
TREASURY

DRAFTED BY TREASURY:DOTEMPLEMAN/LW
APPROVED BY EB-RHORMATS
TREAS: FLWIDMAN

-----045565 100156Z /62

O 100128Z MAR 78
FM SECSTATE WASHDC
TO ALL OECD CAPITALS IMMEDIATE
AMEMBASSY JIDDA IMMEDIATE
AMEMBASSY KUWAIT IMMEDIATE
AMEMBASSY TEHRAN IMMEDIATE
AMEMBASSY CARACAS IMMEDIATE
AMEMBASSY ABU DHABI IMMEDIATE

UNCLAS STATE 061435

E.O. 11652:N/A

TAGS: EFIN

SUBJECT: GUIDANCE ON REPORTED U.S.-GERMAN MEETING ON DOLLAR

1. AT PRESS CONFERENCE AFTERNOON OF MARCH 9 PRESIDENT
CARTER WAS ASKED WHAT US WAS DOING ABOUT DECLINING DOLLAR.
HIS REFERENCE TO MEETING BETWEEN GERMAN AND AMERICAN
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OFFICIALS THIS COMING WEEKEND WAS FOLLOWED BY TREASURY
DEPARTMENT CLARIFICATION. FOLLOWING IS TEXT OF PRESS CON-
FERENCE QUESTION, PRESIDENT'S ANSWER AND TREASURY MEMORAN-
DUM TO PRESS. THIS IS FOR YOUR INFORMATION AND FOR USE
ONLY IN RESPONSE TO INQUIRES. QUOTE: QUESTION: CAN YOU
TELL US WHY YOU THINK THE DOLLAR IS DECLINING ABROAD AND
WHAT YOU ARE GOING TO DO ABOUT IT AND DO YOU THINK THE TIME
IS HERE FOR TOUGHER MEASURES TO CURB INFLATION IN THE US?

ANSWER: THIS IS A MATTER WITH INTERNATIONAL IMPLICATIONS. I HAD A LONG TALK THIS MORNING ON THE PHONE WITH CHANCELLOR SCHMIDT. THIS WAS ONE OF THE SUBJECTS THAT WE DID DISCUSS. AND GERMAN AND AMERICAN OFFICIALS WILL BE MEETING THIS WEEKEND TO TRY TO HAVE A COMMON APPROACH TO ELIMINATING OR CERTAINLY REDUCING THE DISORDERLY MARKETING OF THE CURRENCIES OF THE WORLD.

2. WE HAVE HAD A POLICY OF INTERVENING IN THE MONETARY MARKET ONLY WHEN DISORDER DID OCCUR WHEN THERE WERE

FLUCTUATIONS THAT WERE NOT WARRANTED OR CAUSED US SOME CONCERN. I THINK RECENTLY THE VALUE OF THE DOLLAR HAS BEEN FAIRLY WELL STABLE WITH THE DEUTSCHE MARK, AT ABOUT 2.02.

3. ONE OF THE THINGS THAT HAS BEEN POINTED OUT TO ME IS THAT THE FACTORS THAT CAUSED A LOWERING OF THE DOLLAR'S VALUE COMPARED TO SOME OF THE STRONGER CURRENCIES, SWISS FRANCS, JAPANESE YEN, GERMAN DEUTSCHE MARKS THIS PAST YEAR, ARE BEING ALLEVIATED.

4. HIGHER INTEREST RATES IN OUR COUNTRY NOW, CAUSED BY VARIOUS FACTORS NOW MAKE INVESTMENTS IN THE UNITED STATES MORE ATTRACTIVE THAN THEY WERE LAST YEAR. WE HAD A HIGH UNCLASSIFIED

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INCREASE IN 1977 IN THE AMOUNT OF OIL IMPORTED.

5. MY GUESS IS THAT THIS YEAR, WE WILL NOT HAVE THE INCREASE IN IMPORTED OIL.

6. LAST YEAR, WE HAD A MUCH HIGHER INCREASE IN OUR GROSS NATIONAL PRODUCT, A MUCH MORE VIGOROUS ECONOMY, THAT MADE IT POSSIBLE FOR US TO BUY FOREIGN GOODS BETTER THAN FOREIGNERS COULD BUY OUR GOODS.

7. I THINK THE DIFFERENCE WAS ABOUT A 3 PERCENT RATE OF GROWTH. BECAUSE OF THE MORE VIGOROUS ECONOMY OF SOME OF OUR FOREIGN TRADE PARTNERS THIS YEAR, THAT DIFFERENCE IS CERTAINLY LIKELY TO NARROW.

8. CHANCELLOR SCHMIDT TOLD ME THAT THE LAST QUARTER IN 1977 IN GERMANY, THE GNP WAS 6 PERCENT. THIS WAS HIGHER THAN HE HAD ANTICIPATED AND HE DIDN'T SAY IT WAS GOING TO BE MAINTAINED CONSTANTLY, BUT HE WAS PLEASED WITH THAT.

9. SO I THINK THOSE FACTORS ALL POINT TO THE VERY GOOD STRENGTH OF THE DOLLAR AND ON A LONG TERM BASIS IT BEING

FAIRLY WELL PRICED COMPARED TO FOREIGN CURRENCIES.

10. BUT ANY SHOCKS TO THE MARKET, ANY DISORDERLY MARKETS
WILL REQUIRE US TO INTERCEDE, AND I WILL DO SO. END QUOTE.

11. IN RESPONSE TO PRESS INQUIRES FOLLOWING PRESS
CONFERENCE, TREASURY ISSUED FOLLOWING MEMORANDUM TO THE
PRESS:

QUOTE: GERMAN AND U.S. OFFICIAL WILL BE CONTINUING THEIR
DISCUSSIONS ON COUNTERING DISORDERLY CONDITIONS IN THE
FOREIGN EXCHANGE MAREKTS AS PART OF CONTINUING CONSULTA-
TIONS ON THIS PROBLEM.

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MANFRED LAHNSTEIN STATE SECRETARY OF FINANCE AND
ANTHONY SOLOMON, UNDER SECRETARY OF THE TREASURY,
HAVE BEEN HAVING DISCUSSIONS, SOMETIMES GETTING TOGETHER
PHYSICALLY AND SOMETIMES BY TELEPHONE AND CABLE. THESE
ARE CONTINUING AND THEY WILL BE IN COMMUNICATION THIS
WEEK-END BUT THERE ARE NO PLANS FOR A MEETING. END QUOTE.
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PAGE 01 STATE 061435
ORIGIN NEA-10

INFO OCT-01 ISO-00 /011 R

66011

DRAFTED BY: NEA/ARP JTWINAM

APPROVED BY: NEA/ARP/JTWINAM

-----082684 121047Z /13

R 140105Z MAR 78

FM SECSTATE WASHDC

TO AMEMBASSY DOHA

UNCLAS STATE 061435

FOLLOWING REPEAT STATE 061435 SENT ACTION ALL OECD CAPITALS

JIDDA KUWAIT TEHRAN CARACAS ABU DHABI MAR 10.

QUOTE UNCLAS STATE 061435

E.O. 11652:N/A

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QUOTE: GERMAN AND U.S. OFFICIAL WILL BE CONTINUING THEIR DISCUSSIONS ON COUNTERING DISORDERLY CONDITIONS IN THE FOREIGN EXCHANGE MARKETS AS PART OF CONTINUING CONSULTATIONS ON THIS PROBLEM.

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VANCE UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, DOLLAR, PRESS CONFERENCES, CURRENCY STABILITY
Control Number: n/a
Copy: SINGLE
Draft Date: 10 mar 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE061435
Document Source: CORE
Document Unique ID: 00
Drafter: DOTEMPLEMAN/LW
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780107-0282
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780382/aaaacrbc.tel
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Litigation Codes:
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Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5d9aacc9-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
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Original Previous Classification: n/a
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Reference: n/a
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Review Action: RELEASED, APPROVED
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Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3371204
Secure: OPEN
Status: NATIVE
Subject: GUIDANCE ON REPORTED U.S.-GERMAN MEETING ON DOLLAR
TAGS: EFIN, PGOV, US, GE, (CARTER, JIMMY)
To: OECD POSTS JIDDA MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/5d9aacc9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
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20 Mar 2014
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